



**DEFENSE CONTRACT AUDIT AGENCY**  
**DEPARTMENT OF DEFENSE**  
8725 JOHN J. KINGMAN ROAD, SUITE 2135  
FORT BELVOIR, VA 22060-6219

IN REPLY REFER TO

PPD 730.5.45.1

23 May 2000  
00-PPD-047(R)

**MEMORANDUM FOR REGIONAL DIRECTORS, DCAA**  
**DIRECTOR, FIELD DETACHMENT, DCAA**

**SUBJECT: Audit Guidance on the \$353,010 Executive Compensation Cap for Contractor Fiscal Year 2000 and Beyond**

The FY 1998 Defense Authorization Act established a new executive compensation cap for contractor fiscal year (CFY) 1998 and beyond. The Act directed the Office of Federal Procurement Policy under OMB to set the amount of the cap and revise the cap as warranted. The enclosed memorandum sets the CFY 2000 and beyond cap amount at \$353,010. The \$353,010 cap applies to costs incurred after 1 January 2000, and to all defense and civilian agency contracts covered by the FAR cost principles, including those contracts awarded prior to the enactment of the new cap. The cap amount is to be used for CFY 2000, and subsequent CFYs, until revised by OFPP. Accordingly, for compensation of senior executives covered by the cap, the auditor should allow no more than \$353,010 in the pricing of each executive for CFY 2000 and all subsequent contractor fiscal years. No escalation of the \$353,010 cap for years beyond 2000 is warranted because the language of the OFPP memorandum states the amount is for all subsequent years until revised. The new cap applies to compensation and senior executives as defined in FAR 31.205-6(p)(2)(i) and (ii), respectively.

Questions regarding this memorandum should be directed through the regions to Mr. Mike Weisz, Program Manager, Programs Division, at (703) 767-2250.

Signed: Robert DiMucci

For: Lawrence P. Uhlfelder  
Assistant Director  
Policy and Plans

Enclosure  
OFPP Memo, 18 April 1999

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OFFICE OF FEDERAL  
PROCUREMENT POLICY

M-00-09

EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
WASHINGTON, D.C. 20503

April 18, 2000

OFFICE OF THE  
SECRETARY OF DEFENSE

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TO THE HEADS OF EXECUTIVE DEPARTMENTS AND AGENCIES

SUBJECT: Determination of Executive Compensation Benchmark Amount  
Pursuant to Section 808 of Pub. L. 105-85

This memorandum sets forth the "benchmark compensation amount" as required by Section 39 of the Office of Federal Procurement Policy (OFPP) Act (41 U.S.C. 435), as amended. Under Section 39, the "benchmark compensation amount" is "the median amount of the compensation provided for all senior executives of all benchmark corporations for the most recent year for which data is available." The "benchmark compensation amount" established as directed by Section 39 limits the allowability of compensation costs under government contracts. The "benchmark compensation amount" does not limit the compensation that an executive may otherwise receive.

Based on a review of commercially available surveys of executive compensation and after consultation with the Director of the Defense Contract Audit Agency, I have determined pursuant to the requirements of Section 39 that the benchmark compensation amount for contractor fiscal year 2000 is \$353,010. This benchmark compensation amount is to be used for contractor fiscal year 2000, and subsequent contractor fiscal years, unless and until revised by OFPP. This benchmark compensation amount applies to contract costs incurred after January 1, 2000, under covered contracts of both the defense and civilian procurement agencies as specified in Section 808 of Pub. L. 105-85.

Questions concerning this memorandum may be addressed to Richard C. Loeb, Executive Secretary, Cost Accounting Standards Board, OFPP, on (202) 395-3254.

Deidre A. Lee  
Administrator

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